

**Verizon New England Inc.  
d/b/a Verizon Massachusetts**

**Commonwealth of Massachusetts**

**D.T.E. 01-31**

**Respondent:** William Taylor  
**Title:** Senior Vice President, NERA

**REQUEST:** AT&T Communications of New England, Set #6

**DATED:** November 26, 2001

**ITEM:** ATT 6-1 Refer to Reply To Surrebuttal Testimony of William E. Taylor, dated November 14, 2011, pp. 9-11, wherein Mr. Taylor purports to provide an example from the long-distance telecommunications market in which “prices systematically exceed marginal costs.”

1. Please provide all workpapers, data, and analyses on which Mr. Taylor bases his conclusion that rates paid by AT&T customers exceed the incremental costs of providing the service. Please include in your answer all workpapers, data, and analyses supporting the subsidiary conclusions that
  - (a) “AT&T’s marginal costs of serving residential customers totaled \$0.07 to \$0.11 cents per conversation minute, depending upon whether one counts marketing expenses or not”,
  - (b) “the average rate paid by AT&T residential customers was about \$0.20 per conversation minute.”

Please identify all data sources. Please identify all assumptions made and provide support for each such assumption. Please include in your answer a detailed description of how the sample of residential bills was selected, including how the universe of bills was identified, how the time period for such universe was identified, and the method used for selecting from that universe the bills that were part of the sample.

**REPLY:** Dr. Taylor’s conclusion is based on the analysis described in his testimony; see the Reply to Surrebuttal Testimony of William E. Taylor; page 9, line 15 to page 10, line 14.

- 1a. See footnotes 7, 8, and 9 and the associated text of Dr. Taylor’s Reply to Surrebuttal Testimony which identifies all data sources

**REPLY:** ATT 6-1  
(cont'd)

and discusses all assumptions required to obtain this subsidiary conclusion.

- 1b. Dr. Taylor's testimony contains a typographical error, although the point of the discussion remains unaffected. From page 9 to page 11, the date July 1998 should have been July 1999. See accompanying Excel spreadsheet "ATT 7-99 residential pricenon-proprietary.xls" and the document headed "Procedure for calculating AT&T's average residential price and other related statistics" (procedure.doc). These items describe how the calculations were done and identify relevant data sources and assumptions. The spreadsheet contains illustrative data because the actual spreadsheet on which the calculation was based contains data that are proprietary to PNR and Associates (now called TNS Telecoms). Employees of organizations that do not have a license from PNR and Associates or TNS Telecoms may not view the proprietary data. AT&T and other organizations that do hold the appropriate license should contact Mr. Arthur Silvia at 617-743-8624 to arrange to receive the spreadsheet with the actual data.

Our understanding is that TNS Telecoms draws a large monthly random sample of households that agree to fill out a questionnaire and to send in copies of their telephone bills. TNS Telecoms develops weights based on household demographics to make the sample nationally and regionally representative. National Economic Research Associates, Inc., selected from the sample those households that resided in New York State. Enough months of data were accumulated to comprise a large enough sample to give statistically reliable results yet was recent enough to the date for analysis that changes in households' selections of calling plans would be small.

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**ITEM:** ATT 6-2 Please provide all workpapers, data, and analyses on which Mr. Taylor bases his conclusion that "LECs charged an average of \$0.06 per conversation minute for carrier access and other fees whose incremental cost is less than \$0.01 cent per conversation minute (\$0.005 per access minute)." Please identify all data sources. Please identify all assumptions made and provide support for each such assumption.

**REPLY:** The conclusion is based on information in footnote 9, the associated text of Dr. Taylor's Reply to Surrebuttal Testimony, and the spreadsheet attached to AT&T 6-1 entitled "ATT 7-99 residential price non-proprietary.xls," which identify relevant data sources and assumptions required to obtain this subsidiary conclusion. The spreadsheet contains illustrative data because the actual spreadsheet on which the calculation was based contains data that are proprietary to PNR and Associates (now called TNS Telecoms). Employees of organizations that do not have a license from PNR and Associates or TNS Telecoms may not view the proprietary data. AT&T and other organizations that do hold the appropriate license should contact Mr. Arthur Silvia at 617-743-8624 to arrange to receive the spreadsheet with the actual data.

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**ITEM:** ATT 6-3 Please identify all sources of funding for the analyses that Mr. Taylor conducted and the analyses that Mr. Taylor relied upon to reach the conclusions set forth on pages 9-11 of the above referenced testimony.

**REPLY:** Verizon funded Dr. Taylor's analyses. To our knowledge, FCC reports on which Dr. Taylor relies are funded by taxpayers and/or fees collected from carriers. We have no information regarding the sources of funding in other sources cited in footnotes on pages 9-11.

VZ # 221